

TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

SUBJECT: Activity Status Report
Credit Enhancement Program

ITEM NUMBER: 11

ATTACHMENT(S): 2

ACTION: _____

DATE OF MEETING: June 3, 1998

INFORMATION: X

PRESENTER(S): Mr. Rose

EXECUTIVE SUMMARY

STRS has been selected to provide a Master Letter of Credit for \$3.68 million to support Western Saw, Inc. of Oxnard CA. The transaction is expected to close in June of 1998. STRS will wrap a bank and the transaction will be collateralized with securities.

STRS is providing credit enhancement supporting several transactions for the City of Pasadena. STRS has closed on a transaction supporting the Los Robles Parking Facility (\$9.9 million). The Rose Bowl projects (\$15.6 million) are expected to close in May. The \$20 million (50% of the total) credit enhancement to support the Pasadena Fire and Police Retirement System (FPRS) pension obligation bonds is expected to close over the next several months.

The Western Waste & Sanifill transactions (both companies since acquired by USA Waste), totaling \$14.8 million, are being refinanced with long term fixed rate debt. The STRS commitment will expire over the next several months.

1. **Western Saw, Oxnard CA.**

Western Saw, Inc. manufactures a variety of saws for industrial use. Some of the major customers include: Diamond Products, Norton, Penhall, Diamar and Boar and Cushion Osaka. The company is growing rapidly and is expanding their facilities. It is one of the few saw manufacturers in the United States.

The planned project will include the acquisition of 3.1 acres of land where the facility is currently located. It will also include the construction and installation of a new 60,000 square foot manufacturing building, and the acquisition and installation of new equipment.

Project costs to be paid from bond proceeds include: acquisition of land, \$405,000; construction of a new building, \$2,000,000; and acquisition and installation of new equipment, \$1,275,000.

The Company currently employs 53 people with a total payroll of \$1.7 million. Within two years of project completion, the Company expects to create 125 new jobs. STRS will wrap a bank, and the transaction will also be collateralized with government securities. The project is expected to close in June.

2. **City of Pasadena - Pasadena, CA**

STRS has been selected to provide \$45.5 million in credit enhancements for the City of Pasadena for the following transactions:

	AMOUNT (\$MIL)	STRS (\$MIL)
<i>ROSE BOWL (one LOC covers both issues)</i>		
1991 COPS (original issue of \$12.7 Mil)	\$10.6	\$5.3
1996 COPS (original issue of \$21.2 Mil)	\$20.6	\$10.3
<i>LOS ROBLES AVENUE PARKING FACILITY</i>		
1987 cops (original issue of \$20.2 Mil)	\$19.8	\$9.9
<i>PENSION OBLIGATION BONDS</i>		
Series 1998	\$40.0	\$20.0
<u>TOTAL</u>	\$91.0	\$45.5

The Los Robles transaction has closed. The Rose Bowl projects transaction is expected to close in May. The Pasadena Fire and Police Retirement System Pension Obligation Bonds are expected to close over the next several months.

3. **Western Waste (Torrance, Ca) & Sanifill Inc (Novato Project) (Since acquired by USA Waste).**

STRS provided letters of credit to support \$9.7 million in tax exempt pollution control bonds for Western Waste in 1994 and \$5.1 million in tax exempt pollution control bonds for Sanifill Inc. in 1995. USA Waste Industries acquired both of these entities over the past two years and is in the process of issuing new fixed rate securities to replace the outstanding commitments currently enhanced by STRS. Over the next couple of months, these commitments will expire.

STRS CREDIT ENHANCEMENT PROGRAM

PROGRAM SUMMARY AS OF MAY 13, 1998

Transactions	Type	Closing Date	End of Commitment	STRS Commitment	Interest	Total Commitment	Fiscal 1997 - 98 Fee Income	Fee Income To Date
Port of Long Beach	Liquidity	Jun-94	Feb-00	\$75,000,000	\$0	\$75,000,000	\$57,402	\$147,012
Bridge - Richmond Townhomes	Credit	Aug-94	Feb-97	\$0	\$0	\$0	\$0	\$15,096
USA Waste Industries	Credit	Nov-94	Nov-99	\$9,764,121	\$0	\$9,764,121	\$46,786	\$180,899
Sanifill, Inc.	Credit	Oct-95	Oct-00	\$5,000,000	\$85,479	\$5,085,479	\$43,809	\$43,809
Pt. Loma College	Credit	Aug-96	Aug-00	\$25,000,000	\$369,863	\$25,369,863	\$105,030	\$255,971
City of Visalia (California)	Credit	Sep-96	Sep-01	\$3,490,000	\$72,286	\$3,562,286	\$5,762	\$26,802
Buck Research on Aging	Credit	Dec-96	Dec-99	\$27,500,000	\$397,808	\$27,897,808	\$139,528	\$231,953
LA Fairplex	Credit	Jul-97	Jul-00	\$17,900,000	\$698,224	\$18,598,224	\$85,771	\$85,771
San Diego Unified Port District (20)	Credit	Oct-97	Oct-02	\$35,000,000	\$1,365,243	\$36,365,243	\$19,498	\$19,498
San Diego Unified Port District (21)	Credit	Oct-97	Oct-02	\$15,000,000	\$585,104	\$15,585,104	\$6,998	\$6,998
Pasadena Parking Authority	Credit	Jan-98	Jan-03	\$9,909,167	\$0	\$9,909,167	\$5,269	\$5,269
Adventist West	Credit	Feb-98	Feb-05	\$114,500,000	\$1,693,973	\$116,193,973	\$5,000	\$5,000
CSCDA - IDB's Series 1994B								
Propak of California	Credit	Nov-94	Nov-00	\$3,210,000	\$71,763	\$3,281,763	\$5,060	\$42,613
J. Michelle/Edie Lee	Credit	Nov-94	Nov-00	\$2,840,000	\$63,492	\$2,903,492	\$4,968	\$45,154
Pasco Scientific	Credit	Dec-94	Dec-00	\$2,825,000	\$63,156	\$2,888,156	\$5,279	\$43,532
American River Packaging	Credit	Dec-94	Dec-00	\$1,765,000	\$39,459	\$1,804,459	\$3,667	\$27,176
Lance Camper Manuf.	Credit	Dec-94	Dec-00	\$3,835,000	\$85,736	\$3,920,736	\$7,137	\$52,558
CSCDA - IDB's Series 1989-90								
Intermountain Trading	Credit	Feb-95	Feb-01	\$320,000	\$7,154	\$327,154	\$1,436	\$6,754
Andercraft Products	Credit	Feb-95	Feb-01	\$850,000	\$19,003	\$869,003	\$4,612	\$21,394
Sunclipse. Inc.	Credit	Feb-95	Feb-01	\$3,200,000	\$71,540	\$3,271,540	\$9,223	\$37,646
Sunclipse, Inc.	Credit	Feb-95	Feb-01	\$2,135,000	\$47,730	\$2,182,730	\$6,333	\$28,295
Rapelli of California, Inc.	Credit	Mar-95	Mar-01	\$2,500,000	\$55,890	\$2,555,890	\$7,054	\$29,609

AHNNN, Inc.	Expired. Redeemed as of Sept-97.			\$0	\$0	\$0	\$970	\$9,416
Zarn, Inc.	Credit	Mar-95	Feb-01	\$970,000	\$21,685	\$991,685	\$3,714	\$19,630
Marcel & Marge Schurman	Credit	Mar-95	Feb-01	\$1,725,000	\$38,564	\$1,763,564	\$5,686	\$24,306
Charles & Loralie Harris	Credit	Mar-95	Feb-01	\$2,440,000	\$54,549	\$2,494,549	\$7,632	\$32,338
American Zettler	Credit	Mar-95	Mar-01	\$2,145,000	\$47,954	\$2,192,954	\$6,481	\$24,298
Aqua Serv Engineering	Credit	Mar-95	Mar-01	\$1,540,000	\$34,428	\$1,574,428	\$7,978	\$32,479
Contech Engineering Prod.	Credit	Mar-95	Mar-01	\$1,440,000	\$32,193	\$1,472,193	\$4,139	\$17,278
Evapco, Inc.	Credit	Mar-95	Mar-01	\$540,000	\$12,072	\$552,072	\$1,705	\$7,291
Florestone Products Co.	Credit	Mar-95	Mar-01	\$1,615,000	\$36,105	\$1,651,105	\$4,612	\$20,057
Grundfos Pumps Company	Credit	Mar-95	Mar-01	\$6,000,000	\$134,137	\$6,134,137	\$16,467	\$61,670
Instrument Specialities Co.	Credit	Mar-95	Mar-01	\$745,000	\$16,655	\$761,655	\$2,260	\$10,954
McCain Citrus	Credit	Mar-95	Mar-01	\$3,000,000	\$67,068	\$3,067,068	\$7,197	\$27,516
Mc Elroy Metal Mills, Inc.	Credit	Mar-95	Mar-01	\$660,000	\$14,755	\$674,755	\$2,030	\$10,535
NRI, Inc.	Credit	Mar-95	Mar-01	\$1,575,000	\$35,211	\$1,610,211	\$4,504	\$18,041
W & H Voortman, Inc.	Credit	Mar-95	Mar-01	\$2,520,000	\$56,338	\$2,576,338	\$6,320	\$24,480
Image Laboratories, Inc.	Expired. Redeemed as of Dec-96.			\$0	\$0	\$0	\$0	\$26,854
Allwire, Inc.	Credit	Mar-95	Mar-01	\$330,000	\$7,378	\$337,378	\$1,823	\$7,499
Fairway Molds, Inc.	Credit	Mar-95	Mar-01	\$660,000	\$14,755	\$674,755	\$4,064	\$16,483
S & P Investments	Credit	Mar-95	Mar-01	\$1,250,000	\$27,945	\$1,277,945	\$4,365	\$17,595
Northwest Pipe & Casing	Credit	Apr-95	Apr-01	\$3,250,000	\$72,658	\$3,322,658	\$9,719	\$39,426
Reliance Upholstery	Credit	Apr-95	Apr-01	\$300,000	\$6,707	\$306,707	\$1,864	\$7,780
Zieman Manufacturing	Credit	Apr-95	Apr-01	\$455,000	\$10,172	\$465,172	\$2,135	\$8,180
CSCDA - IDB's								
Series 1995A								
Carvin Corporation	Credit	Jun-95	Jun-00	\$2,420,000	\$54,102	\$2,474,102	\$7,302	\$33,057
Leegin Creative Leather Prod.	Expired. Redeemed as of Dec-97.			\$0	\$0	\$0	\$3,220	\$19,469
Kennerley-Spratling	Credit	Jun-95	Jun-00	\$3,065,000	\$68,522	\$3,133,522	\$9,052	\$39,609
Vantage Properties	Credit	Jun-95	Jun-00	\$1,690,000	\$37,782	\$1,727,782	\$5,321	\$22,364
BNG Properties, LLC	Expired. Redeemed as of Aug-96.			\$0	\$0	\$0	\$0	\$12,253
Staub Metals, Inc.	Credit	Aug-95	Jun-00	\$1,280,000	\$28,616	\$1,308,616	\$4,350	\$19,387
Aerostar Partners, Inc.	Credit	Sep-95	Sep-00	\$4,645,000	\$103,844	\$4,748,844	\$13,279	\$46,305
Walker Spring and Stamping Corp.	Credit	Sep-95	Sep-00	\$3,640,000	\$81,376	\$3,721,376	\$10,547	\$37,325
Encore Video, Inc.	Credit	Sep-95	Sep-00	\$780,000	\$17,438	\$797,438	\$2,618	\$9,475
EuroDesign Cabinets, Inc.	Credit	Sep-95	Sep-00	\$1,040,000	\$23,250	\$1,063,250	\$3,354	\$12,532
South Bay Circuits, Inc.	Credit	Sep-95	Sep-00	\$1,950,000	\$43,595	\$1,993,595	\$5,832	\$21,267
W & H Voortman, Inc.	Credit	Sep-95	Sep-00	\$1,080,000	\$24,145	\$1,104,145	\$3,417	\$12,142
Red Line Oil Co.	Credit	Nov-95	Nov-00	\$1,095,000	\$24,480	\$1,119,480	\$3,986	\$14,603
Johansen Dielectrics	Credit	Nov-95	Nov-00	\$2,700,000	\$60,362	\$2,760,362	\$7,929	\$30,461
Peet's Coffee	Credit	Dec-95	Dec-00	\$3,500,000	\$78,247	\$3,578,247	\$10,154	\$34,010

Safariland	Credit	Sep-96	Sep-01	\$4,000,000	\$82,849	\$4,082,849	\$8,732	\$16,933
Control Air Conditioning	Credit	Jun-97	Jun-00	\$5,000,000	\$111,781	\$5,111,781	\$16,454	\$24,090
CSCDA - IDB Series 1996M Cordeiro Vault Co., Inc.	Credit	Dec-96	Dec-00	\$1,130,000	\$25,262	\$1,155,262	\$4,544	\$8,921
CSCDA - IDB Series 1996M Fibrebond West, Inc.	Credit	Dec-96	Dec-00	\$8,000,000	\$178,849	\$8,178,849	\$22,608	\$48,307
Confirmation #1 Suncreek Apts.	Credit	Apr-96	Apr-01	\$6,800,000	\$78,247	\$6,878,247	\$26,271	\$93,638
Confirmation #2 CMIG LLC	Credit	Nov-97	Nov-00	\$1,000,000	\$14,795	\$1,014,795	\$1,500	\$1,500
Confirmation #3 Monrovia Redevelopment Agency	Credit	Jan-98	Jan-01	\$8,600,000	\$229,727	\$8,829,727	\$19,694	\$19,694
Confirmation #4 First Class Foods	Credit	Apr-98	Apr-03	\$1,500,000	\$22,192	\$1,522,192	\$0	\$0
Confirmation #5 Alliance	Credit	Apr-98	Apr-03	\$2,250,000	\$33,288	\$2,283,288	\$0	\$0
TOTAL:				\$461,868,287	\$7,956,982	\$469,825,269	\$871,448	\$2,400,256

STRS CREDIT ENHANCEMENT PROGRAM

BANK EXPOSURE

PROGRAM SUMMARY AS OF MAY 13, 1998

Deal	Commitment	Interest	Total	Portfolio Percentage
PARTNER INSTITUTION				
Port of Long Beach				
Canadian Imperial Bank of Commerce (CIBC)	\$75,000,000	\$0	\$75,000,000	16.24%
Buck Research Center on Aging (CIBC)	\$27,500,000	\$397,808	\$27,897,808	5.95%
USA Waste Industries Bank of California	\$9,764,121	\$0	\$9,764,121	2.11%
Sanifill, Inc. Texas Commerce Bank	\$5,000,000	\$85,479	\$5,085,479	1.08%
San Diego Unified Port District (CIBC)	\$35,000,000	\$1,365,243	\$36,365,243	7.58%
San Diego Unified Port District (CIBC)	\$15,000,000	\$585,104	\$15,585,104	3.25%
Pasadena Parking Authority (CIBC)	\$9,909,167	\$0	\$9,909,167	2.15%
Adventist West (MBIA)	\$114,500,000	\$1,693,973	\$116,193,973	24.79%
DIRECT BANK EXPOSURE				
<u>Letter of Credit Bank:</u>				
Union Bank of California, N.A.	\$36,135,000	\$807,840	\$36,942,840	7.82%
Long Term Cr Bank of Japan	\$25,000,000	\$369,863	\$25,369,863	5.41%
Tokai Bank	\$17,900,000	\$698,224	\$18,598,224	3.88%
Bank of America	\$16,655,000	\$372,342	\$17,027,342	3.61%
Wells Fargo Bank	\$8,840,000	\$197,628	\$9,037,628	1.91%
First Commerce Bank	\$8,000,000	\$178,849	\$8,178,849	1.73%
Bank of Nova Scotia	\$6,600,000	\$147,551	\$6,747,551	1.43%
Imperial Bank of California	\$4,000,000	\$82,849	\$4,082,849	0.87%
The Fuji Bank, Limited	\$3,490,000	\$72,286	\$3,562,286	0.76%
Istituto Bancario San Paolo Di Torino Spa	\$2,500,000	\$55,890	\$2,555,890	0.54%
City National Bank	\$2,390,000	\$53,431	\$2,443,431	0.52%
Comerica Bank	\$1,950,000	\$43,595	\$1,993,595	0.42%
Mellon Bank	\$1,440,000	\$32,193	\$1,472,193	0.31%
Fleet Bank	\$1,280,000	\$28,616	\$1,308,616	0.28%
Societe Generale	\$970,000	\$21,685	\$991,685	0.21%
CoreStates Bank	\$745,000	\$16,655	\$761,655	0.16%
National Bank of Canada	\$660,000	\$14,755	\$674,755	0.14%
1st Business Bank	\$660,000	\$14,755	\$674,755	0.14%
NationsBank	\$540,000	\$12,072	\$552,072	0.12%
Sanwa Bank of California	\$10,290,000	\$230,045	\$10,520,045	2.23%
Suncreek Apts. (Confirmation #1) US Bank of California	\$6,800,000	\$78,247	\$6,878,247	1.47%
CMIG LLC (Confirmation #2) Santa Barbara Bank and Trust	\$1,000,000	\$14,795	\$1,014,795	0.22%
Monrovia Redevelopment Agency (Confirmation #3) General Bank	\$8,600,000	\$229,727	\$8,829,727	1.86%
First Class Foods (Confirmation #4) City National Bank	\$1,500,000	\$22,192	\$1,522,192	0.32%
Alliance (Confirmation #5) City National Bank	\$2,250,000	\$33,288	\$2,283,288	0.49%
Total Bank Exposure	\$461,868,287	\$7,956,982	\$469,825,269	100.00%